

# New South, Old Challenges

Robert Gibbs

*The South's rapid population and job growth in the last half of the 20th century reflects its integration into the national economic and social mainstream. But growth has not erased the region's widespread poverty and low levels of human capital. And in many of parts of the rural South, the underlying economic and social conditions that depended on, and reinforced, a low-skill population are far from disappearing.*

At the close of the 20th century, the South has lost much of the distinctiveness that once isolated it from the American mainstream. After World War II, the region's political, social, and economic character was transformed by large-scale Federal investments in defense and highways, farm mechanization, technological advances in manufacturing, and the civil rights movement. Transformation is evident in the South's rapid population and job growth—5 Southern States (see “How We Define the South,” p. 5) were among the 12 most populous as of 1999—and in its slow but steady convergence with the rest of the Nation on measures such as income, housing, and educational attainment. The South's increasingly urban population is also more diverse than in previous years, as the 30-year net inflow of Black migrants continues and more immigrants make the South their home. And international employers—from Mercedes in Alabama to BMW in South Carolina—are offer-

ing workers new opportunities to acquire skills and earn decent incomes.

As in other rapidly developing regions in the United States and abroad, the South's progress has been unevenly distributed across both places and people. The South is no longer “the Nation's number one economic problem,” as Franklin Roosevelt once proclaimed. But its legacy of economic and social insularity has left behind concentrations of high poverty, low levels of human capital, and limited opportunities to move up career and wage ladders. Several of the articles in this issue demonstrate that these “old economy” areas are persistently disadvantaged, making progress at times but never achieving the long-term success of their more prosperous neighbors.

Most of the lagging counties are rural. Despite the South's large-scale influx of migration after 1970, on balance only 15 percent of the migrants moved to rural areas. In

the 1990's, the number of rural Southern workers grew at about half the rate of the urban workforce, the largest rural-urban growth gap of any region. Furthermore, nearly all Southern counties with poverty rates over 20 percent, and all but five with extremely low rates of high school completion (50 percent or less), are rural counties.

The fault lines between leading and lagging counties do not track neatly along the borders of urban and rural areas. Rural counties near large or rapidly growing cities, or with abundant natural amenities, have done well in the 1990's, so much so that the rural South has exceeded the national average in income growth during the past decade. But even among these counties, many have seen job growth outstripping gains in per capita income or poverty rates. A complete assessment of economic progress in the South is therefore impossible without considering the tremendous variation in indicators of well-being.

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## Southern Growth in People and Jobs Is Brisk, but Uneven

Between 1990 and 1999, the South added 11 million people, according to U.S. Census Bureau estimates, nearly half the U.S. population gain during the decade. In fact, since 1960, the South's population growth rate exceeded the Nation's (although usually falling behind the West's). In addition to the Washington-Baltimore metropolitan area, often closely linked to the Northeast, the South now has 4 other metropolitan areas with over 3 million people—Houston, Dallas-Ft. Worth, Atlanta, and Miami-Ft. Lauderdale—and 17 metro areas that exceed 1 million in population.

The rural South grew in population too, but more slowly than urban centers (fig. 1) and with great variability among counties. The top 20 percent of rural Southern counties grew at an average rate of 26.7 percent between 1990 and 1999,

and 13 counties grew by 50 percent or more. Meanwhile, over 200 rural Southern counties (of 1,021 total) lost population.

As the Southern economy added millions of new jobs from 1990 to 1998, it also continued its long-term transition from manufacturing to services. The decline in manufacturing employment, though, has been more gradual in the rural South, where in 1998, 21 percent of jobs were still in manufacturing. By comparison, 13 percent of U.S. jobs were in manufacturing (and only 9 percent of jobs in the urban South).

## The Rural South Remains the Nation's Low-Income and High-Poverty Region

Like other measures of well-being, per capita income in the South is slowly converging with the rest of the Nation's. Estimated at about half the national average a

century ago, the South's relative per capita income has risen gradually, and is now about 90 percent of the U.S. mean, just slightly behind the Midwest. The South's urban-rural income gap persists, however. Although rural and urban incomes grew at about the same rate in 1990-98, the rural South's per capita income remains about two-thirds that of the urban South.

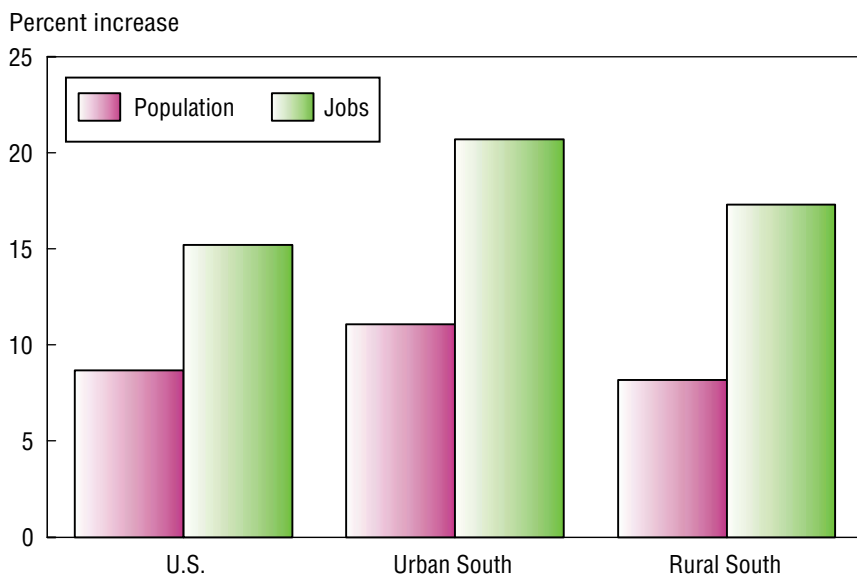
And for all its progress, the rural South remains distinct in the number and magnitude of low-income areas. Per capita income in 1998 ranged from \$8,200 in Starr County, Texas, to over \$38,000 in Sherman County, Texas. Sixteen rural Southern counties—mostly adjacent to large metro areas—had incomes above the national average; 66 others fell below half the national average. High job-growth counties are not immune from very low incomes. Of the 204 counties that form the top quintile in growth, 10 had per capita incomes below the national average. Income growth in 47 of these high job-growth counties was below the national income growth rate, even though the rural South as a whole had slightly faster-than-average income growth in the 1990's.

Similarly, four of every five persistent-poverty counties, in which the poverty rate has exceeded 20 percent continuously since 1960, are in the rural South. Few of them are counted among the fastest-growing in population or employment, although in recent years they have held their own against other rural counties in income growth. Most are characterized by large concentrations of minority or White ethnic (Appalachian) populations whose forebears were tied to a labor-intensive economy based on the extraction of natural

Figure 1

### Population and job growth, 1990-98/99

*The rural South had slower population growth, but faster job growth, than the national average*



Note: Population growth is measured for 1990-1999; job growth for 1990-98.  
Source: Bureau of Economic Analysis and the Census Bureau.



Along U.S. Highway 441 in Eatonton, Georgia. Photo courtesy John B. Cromartie.

resources either through large-scale commercial farming or mining.

### Low Education Levels May Limit the Rural South's Prospects

Why do incomes in the rural South remain so low? And why hasn't rapid growth provided the magic formula to ensure convergence with the rest of the country? Partly to blame is the slightly lower labor force participation rates of Southern adults. And lower outmigration rates in the rural South imply that "surpluses" of workers are not as quickly reduced as in other rural regions, particularly the Great Plains. More telling is the detailed mix of jobs available in many rural Southern labor markets. Manufacturing jobs in the rural South, which have historically been concentrated in nondurable industries such as textiles, apparel, tobacco, and wood products, are less likely to require significant formal training or to impart job skills than manufacturing elsewhere. But none of these conditions is likely to change much without an upgrade in the low levels of education and other measures of human capital characteristic of the Southern workforce.

The rural South suffers the highest rate of adults without high school diplomas (38 percent in 1990), and the lowest rate of college graduates (14 percent) of any region. This limits the base upon which to develop a high-skill economy. Of the 1,021 rural Southern counties, well over half rank among the Nation's lowest quintile in high

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school completion rates (fig. 2). Many of these are also persistent-poverty counties. But while the latter are mostly concentrated in the Mississippi and Rio Grande Valleys, central Appalachia, and the Atlantic Coastal Plain, low-education counties are found all across the region, including many counties adjacent

to metro areas or in high natural amenity areas experiencing rapid growth.

The region's original economic foundations were labor-intensive cotton and tobacco plantation agriculture, then lumbering, and eventually textile and apparel, all of which required few if any formal skills. This economic heritage is apparent even today in the lack of available resources in many small Southern school systems, whose students continue to score the lowest of any group on national tests and to attend college at lower-than-average rates. The rural South's long-term vitality depends on breaking the circle of low-skill economies and below-average educational outcomes, but this will be especially hard in small, isolated counties lacking the worker pools that attract new employers, particularly those requiring more advanced academic, technical, and reasoning skills.

The South's lower education levels cannot be separated from the continuing struggle to overcome racial inequality in both schools and the workplace. With the exception of Appalachia, the vast majority of Southern counties with high unemployment rates, low earnings, and low educational attainment are located in areas with large concentrations of Blacks and Hispanics. De facto segregation has replaced segregation by law in many counties with a large share of Black or Hispanic students. Schools in the poorest districts—most often those with large minority populations—are still less likely to offer advanced college preparatory coursework or to have a teaching staff trained in the specific subject matter being taught. Consequently, Black students in the rural South scored significantly

lower on national standard tests than did rural Southern Whites. This disparity inevitably affects the equally significant racial differences in rural Southern labor market outcomes.

### Prospects for Change

The South resembles the rest of the Nation much more than it did just a few decades ago. Many of its urban areas are among the fastest growing, and incomes of megacenters like Atlanta, Houston, Dallas, and Miami are only slightly lower than in cities elsewhere. Meanwhile, pockets of severe economic and social distress have emerged in a number of places outside the South—most famously in declining urban centers, but

increasingly in isolated rural areas of the Midwest and West that have lost their economic base and lack

either the natural amenities or the high-skill workforce to attract a new one.

### How We Define the South

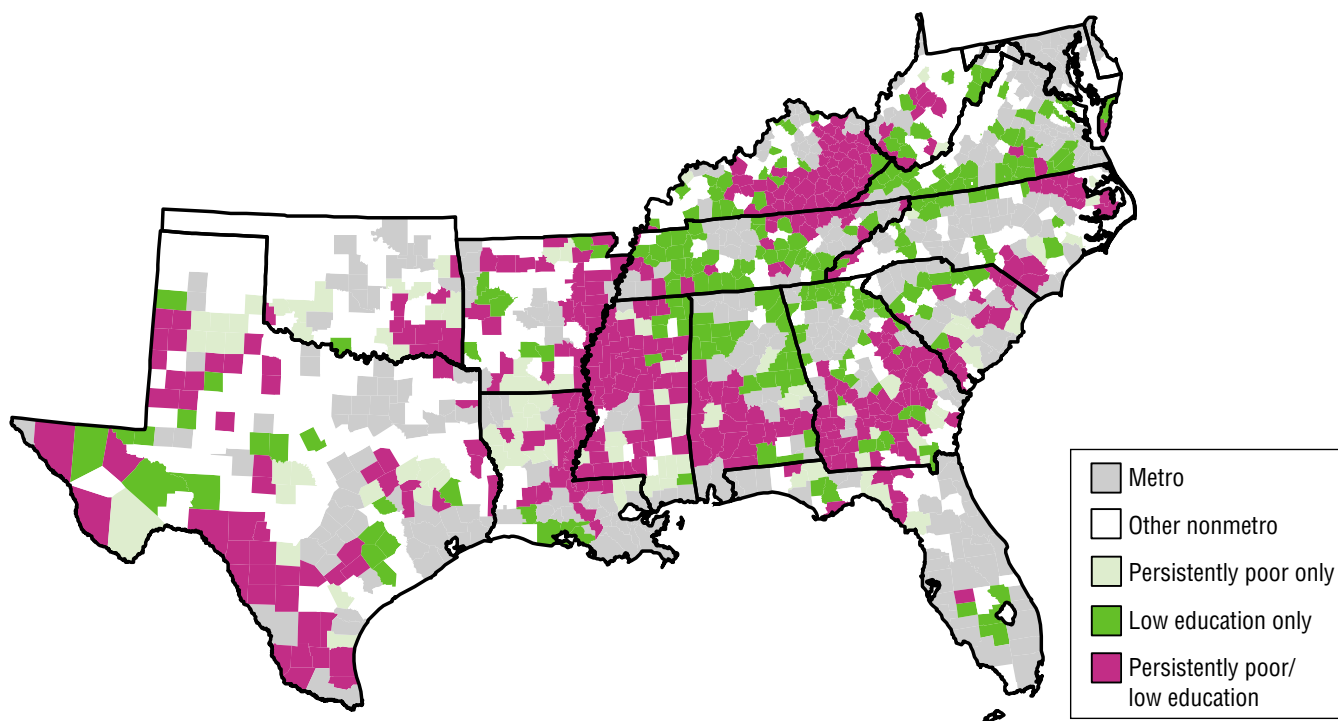
No single geographical definition cleanly delineates the South, with its distinctive economic, social, and cultural traits, from the rest of the country. The U.S. Census Bureau divides the Nation into four major regions along State borders. The Census South, used in most of the articles in this issue of *Rural America*, encompasses Alabama, Arkansas, Delaware, Florida, Georgia, Kentucky, Louisiana, Maryland, Mississippi, North Carolina, Oklahoma, South Carolina, Tennessee, Texas, Virginia, West Virginia, and the District of Columbia.

The reader may notice that the number of rural Southern counties studied varies slightly among articles. The variation is caused by small differences in the data sources, such as differences in geography (for example, whether or not independent cities in Virginia are combined with their surrounding counties for analytical purposes) or in the number of cases with missing data for specific variables.

Figure 2

### Persistent poverty and low education in the South, 1990

Over half of all rural Southern counties are persistently poor, have low education levels, or both



Source: Produced by ERS using data from the U.S. Department of Commerce.

In a sense, the South has become an exemplar of the Nation's economic successes and failures. Its enduring social problems—particularly low levels of education and racial inequality—are now typically discussed in policy circles as national, not regional, issues. As such, the South is frequently a proving ground for the Federal and State policy initiatives that address individual and community well-being. Three of the 10 first-round rural Empowerment Zone/Enterprise Community areas were in Appalachian Kentucky, the Mississippi Delta, and the Rio Grande Valley of Texas. Similarly, Federal initiatives to provide universal college tuition assistance have their roots in State efforts—Georgia's Hope Scholarship is perhaps the best known—to overcome low educational attainment, espe-

cially among low-income families.

These programs encourage human capital development through both “demand” and “supply” solutions. They help employers recruit high-skill labor, and they remove barriers to acquiring additional education and training. In this way, such efforts deflate the longstanding argument that increasing college attendance and advanced skills training will cause workers to leave for better opportunities elsewhere. In fact, rural areas in the South can benefit from having a reserve of well-educated, well-trained natives living elsewhere who would consider returning if attractive jobs were available. In short, many areas of the South are more likely to lose in the long run if they fail to make school quality and advanced education and train-

ing a higher priority than in the past.

The introduction of computers and long-distance telecommunications links into the classroom gives Southern schools a new opportunity to improve educational opportunities for their students. Investment in new information technologies may be particularly beneficial for small, remote counties that are among the region's most economically distressed and that often have large minority populations. Putting more local resources into education is difficult for these counties, and their record on job creation suggests they are a long way from the high-skill development track. But any strategy for change in the rural South must overcome the isolation typical of the region's disadvantaged areas. <sup>RA</sup>

